Private credit-based educational loans are offered by private commercial lenders or state loan authorities for the purpose of financing college costs. Qualifications and eligibility criteria vary. Most lenders require a credit-worthy U.S. borrower and sometimes even a co-borrower. Brown University does not endorse or recommend any specific private loan product over another since borrower needs and priorities can also vary. Families are encouraged to research their needs carefully when considering a private loan product.

We recommend students and families consider the following before making a borrowing decision:

- **Exhaust federal loans first:** For U.S. citizens and permanent residents, there may be considerable benefits to maximizing federal student loan options. Parents and graduate students may wish to consider the Federal Direct PLUS loan, popular for its lenient credit requirements. If a parent of a dependent student is denied a Federal Direct PLUS Loan, additional student federal loan borrowing may become available. Contact Financial_Aid@brown.edu to explore additional federal loan borrowing.

- **Decide who will borrow:** Some loans are only offered to students, some only to parents. Decide who will borrow and if a cosigner is required. Applying with a cosigner may also allow for a lower interest rate.

- **Borrow only what you need:** Avoid the temptation to borrow more than you need. Remember, you must pay back every dollar borrowed, plus interest.

- **Recognize your long term commitment:** Borrowing loans can impact your financial choices and priorities years after graduation. Consider the monthly payment during the repayment phase in your commitment decision.

- **Review your credit history:** Private loan lenders will review your credit. Check your credit history in advance at www.annualcreditreport.com. If you believe you may not qualify because of compromised credit, resolve any issues before applying.

- **Don’t decide based on the interest rate alone:** Consider loan comparisons using either long term priorities (e.g. the total cost of borrowing) vs. short term priorities (e.g. lowest monthly payment requirement) or both. Consider the amount of loan fees charged. Weigh what you can afford monthly vs. how much you are willing to spend over the life of the loan repayment. Use a calculator to estimate your federal monthly payments or the Loan Cost Estimator on FASTChoice.

- **Don’t overextend yourself:** Industry advisors suggest that your monthly student loan repayment obligations not exceed 10-11% of your monthly income, especially if you have other debt (credit cards, car payments, etc). If you sense trouble, before borrowing explore your loan consolidation option for after you graduate. Or, consider borrowing from lenders who offer more flexible repayment terms.

- **Be realistic about borrower-based benefits:** Examples include cosigner releases, interest rate reductions with on-time payments after a set period, etc. Although these incentives are attractive, statistics show only a small percentage of borrowers qualify for them.

- **Know your repayment contingencies:** Research “what if” scenarios on repayment, such as: If you leave and later return to school, do you still have to continue payments on your loan? If you run into financial hardship, can you postpone payments? Or, upon death of a parent/borrower, does the estate and/or cosigner get released?

- **Avoid Loan Default:** If you fail to honor the terms of your promissory note, you risk default, which will have an adverse effect on your credit. This can have a negative impact for years and may prevent you from using your credit for future purchases and financing.

- **Keep in touch:** It is YOUR responsibility to notify your lender if you change your mailing address, if you go back to school (and wish to apply for deferment of your loan), etc. You should not rely on any other party to do this for you, including Brown.

Office of Financial Aid, Brown University, www.financialaid.brown.edu P: 401-863-2721 FAX: 401-863-7575 financial_aid@brown.edu

Updated November 2015